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WHEAT *Sales* Handbook



FEDERAL CROP INSURANCE CORPORATION
U.S. Department of Agriculture

U. S. DEPARTMENT OF AGRICULTURE

Federal Crop Insurance Corporation

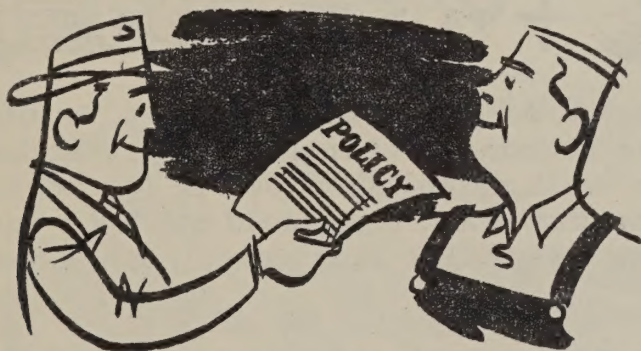
WHEAT CROP INSURANCE

Sales Handbook

This handbook will help you arrive at a clear understanding of the Federal Crop Insurance Program. Not that it is difficult. But, as with any insurance program, its principles must be learned, which calls for study and application. You are urged to read this booklet carefully and thoroughly and to carry it with you for quick reference. Its contents include your instructions for preparing and handling applications.

Needless to say, without a solid grounding in crop insurance principles you could hardly expect to win friends and influence prospects. You would run the risk of offering something you couldn't deliver. And then your troubles would begin. Most policyholder complaints can be traced to misunderstandings of what crop insurance will do--and what it will not do.

Once you learn definitely what it is you have to offer as an agent of the crop insurance program, then offer that and nothing else, you should be able to do a good volume of business, retain all your friends, and keep your self-respect. And, as the years go by and the results accumulate, you'll be happy that you were privileged to have a part in the building of a strong and sensible system for crop investment protection in your community.



UNDERSTANDING + HARD WORK = SUCCESS

Once you know what you are offering, your best sales technique will be made up of equal parts of sincerity, honesty, enthusiasm, and energy. With these you cannot fail. Without them you should not expect to succeed.

What is it, then, you have to offer? What is Federal All-Risk Crop Insurance?

Well, you might liken it to a bridge spanning the uncertain gap between the planting and the harvesting of a crop. You've seen ruined fields, where all hope of harvest was gone. Crop

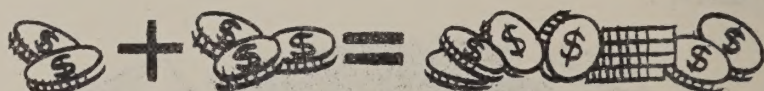
insurance fits into the picture here--not with a substitute for the vanished or damaged crop, but with a cash settlement that removes a lot of the sting. The farmer gets enough to hold things together for another year, or to prevent loss of profits made in other years.

In the old days, before the coming of Federal Crop Insurance, the farmer lost not only the prospect of an abundant harvest when a crop went bad, but the money and labor spent for seed, land preparation, planting, and other production costs.

There were no alternatives then. The farmer could not prevent crop destruction from the numerous causes of damage beyond his control, and there was no way to guarantee the return of his production expenses regardless of the weather, disease, or insect damage that might beset his growing crop.

MONEY-BACK GUARANTEE

Crop insurance, however, enables today's farmer to put a money-back guarantee on the seed that he plants. Through all-risk protection he is assured that most of his crop investment is secure, no matter how heavy a hand Old Mother Nature may lay on his production efforts. In farming, as in other business endeavors, it takes money to make money. Crop insurance guards the most important part of the policyholder's crop return--the dollars spent to make a crop. These dollars go to work with a round-trip ticket. They always come back.



Which adds up to just what you have to offer--insurance protection. The soundness of insurance protection for the business man was well established before farmers even began to hope that some day they, too, could put their money into crop production with assurance that catastrophes could not take it from them.

NEED FOR INSURANCE IS GREATER TODAY

Because of the higher costs of producing a crop today, investment protection looms larger in importance than ever before. Income is greater, true, when everything clicks. But the farmer who loses his "cash expenses" nowadays suffers a body blow. A few such experiences can spell disaster.

And so many things can happen to a crop between the seeding and the harvest. There's plant disease, and bugs, and drought, and flood, and hail, and frost, and excessive rain and winds, to name but a few of them. Any one of them can bring disaster to the best-laid cropping plans. A Federal All-risk Policy stands out against all these natural enemies.

By spending a few dollars for Federal Crop Insurance, the farmer automatically raises the level of his security and at the place where a loss would hurt him most. These premium dollars protect the investment dollars all the way from planting through harvest. On thousands of farms each year these FCIC premium dollars turn out to be the most important part of the crop investment.

YOU INSURE TO PROTECT

Crop insurance differs from most of the other things the farmer buys in that the most enthusiastic policyholder always hopes he will never have to make use of it. It's like a fire extinguisher in that respect, or like plasma in a blood bank. It is a protective measure, a safety device. If the farmer does have occasion to use it he may need it badly. In extreme cases, when the insured crops are totally lost, the policy can spell the difference between survival and ruin. Just to have it, just to know it is there, pays off in the solid comfort it affords through greater security for the dollars saved or borrowed. The farmer who protects his basic operating costs with crop insurance and looks to good yields and prices for his profits is the farmer who is approaching the ideal footing. He is a wise operator and a good person to have in any community.

The farmer with a crop insurance policy operates on a higher level of security than one who gambles with his crop production money, or who thinks that what happens every year to other farmers couldn't happen to him. Thousands of farmers who report crop insurance losses every year say that it never happened before on their farms.



AN INSURANCE STORY

The story you have to tell is a good story. It is the story of insurance protection against unexpected disasters--investing a few additional dollars to make other dollars safe. There are many details in the operation of crop insurance which you need to know if you expect to serve your farm friends fully and answer their questions factually. But there is no need to explain program details before your prospect recognizes the value of crop insurance protection as an addition to the business side of his farming.

Building value until it is greater than price in the customer's mind is your objective during the selling process. Value is what the customer gets and premium is what he gives. Always build the value in prospects' minds so that they buy protection and you will have continuing and cooperative policyholders.

So don't lose the vision as you study the details set forth on the following pages. They'll help you to avoid blunders. They'll enable you to give the insured farmer needed instructions regarding the performance required of him. But even program details should be put into your own living, breathing language and told in your own good way, the kind of talk you use in visiting with your friends. And maybe that's what good salesmanship is--just visiting with a purpose.



CROP INSURANCE, A PROGRAM FOR BUSINESS-MINDED FARMERS

The following pages summarize the wheat crop insurance program and provide instructions on proper preparation, signing, and handling of applications.

A good agent must understand crop insurance and how it operates, and think of it from an insurance standpoint. The assistance provided by this handbook in preparing the agent for his work must be supplemented, therefore, by training, interpretations, and guidance from the State Director and district supervisor; plus familiarity with the policy, regulations, and procedures applicable to his work.

The agent must accurately explain policy provisions since erroneous information given by the agent will not change the provisions of the contract but may cause loss of confidence in the agent and dissatisfaction with the Crop Insurance Program.

Knowledge and understanding will provide the basic equipment needed for building a sound county program, and obtaining the cooperation from policyholders necessary for timely and efficient servicing of contracts.



WHO MAY INSURE

Any person having an interest in a wheat crop--whether owner-operator, landlord, or tenant--may apply for Federal Crop Insurance.

Producers on the ineligible list should not be contacted or encouraged to apply for insurance. If such a person insists on signing an application it should be transmitted to the State Director without the agent's recommendation for acceptance.

The agent should give particular attention to the quality of business which he writes from the standpoint of risk as well as credit. Any application with respect to land or an operation which the agent has reason to feel may involve unusual risk should be accompanied by a statement of facts so that the State Director can check the risk involved before accepting or rejecting the application. Failure of an agent to consider the quality of business which he writes will be readily apparent in the loss experience in his county.

Before applications from producers on the debt list will be considered, any past-due indebtedness to the Corporation must be paid. Where there is an outstanding loss claim for an amount sufficient to cover the indebtedness, or the indebtedness is in process of being set off against payment under an application filed under the ACP or the loan purchase program, the indebtedness shall be considered to have been paid.

WHAT CROP INSURANCE PROTECTS

A Federal Crop Insurance Policy protects money invested to produce a wheat crop. It will not replace a destroyed wheat crop, but it will return--through an indemnity check--money spent to produce the crop which otherwise would be lost.

The policy insures against loss resulting from unavoidable causes of damage to growing wheat crops such as drought, flood, hail, wind, frost, lightning, fire, excessive rainfall, freeze, wildlife, hurricane, tornado, insect infestation, and plant diseases.

The policy does not cover losses resulting from neglect or poor farming practices.

The protection begins at the time the wheat is seeded and continues until harvest, though not later than October 31, unless the insurance period is extended by the Corporation because of unusual conditions.

In addition to providing protection of a farmer's crop investment, the crop insurance policy gives additional protection by strengthening a farmer's credit resources.

The original insured may assign his right to an indemnity in any year as collateral for a loan or other obligation by executing Form FCI-20, "Collateral Assignment," and filing it with the Corporation through the crop insurance agent. A Federal Crop Insurance policy makes the producer a better credit risk by providing effective security even though his crop should fail. This credit feature should be stressed to the producer not only for its current value, but for its continuing value as well. The double value of the policy is important following a crop disaster as a means of recovering the insured investment and providing a source of credit for producing the next crop.

The policy also provides protection against loss resulting from poor quality of wheat. An adjustment for quality will be made if the quality of any wheat produced has been damaged by insured causes so that with proper handling it will not grade No. 3 or better and does not grade No. 4 or 5 on the basis of test weight only.

The fixed price established by the Corporation sets the value of wheat under the policy and is used to convert the bushels of any indemnity to a dollar amount. The same price is used in establishing the amount of protection and the premium. The fixed price for 195__ for _____ county is \$ _____ per bushel.





ACREAGE INSURED

The policy insures only acreage for which a coverage is shown on the county actuarial table provided the farming practice followed is one for which a coverage is established. Coverages are shown by practices on the county actuarial table.

Any acreage of wheat seeded on insurable acreage which was in grain sorghum the previous crop year will be covered by insurance against loss from insurable causes. However, since wheat following grain sorghum is considered a poor farming practice, the Corporation will make appraisals if any of the loss was due to following this practice.

There will be no insurance, and no premium will be earned on acreage destroyed or substantially destroyed before it is too late to re-seed if it is not re-seeded, wheat seeded too late to expect a normal crop, or wheat planted on new ground acreage as defined in the policy in counties where the cancellation date is June 30 or April 30. New ground acreage is insurable in counties with a December 31 cancellation date. Also, there

will be no insurance on any acreage planted to wheat for a purpose other than harvest as grain if the insured producer designates such acreage on his acreage report. However, if any of such designated acreage is later harvested as grain, the production will be counted against the insured acreage in computing any loss.

Promptly after seeding his wheat each year, the insured must submit to the agent, on a form furnished by the Corporation, a report over his signature of all acreage in the county seeded to wheat in which he has an interest at the time of seeding. If the insured does not have an insurable interest in wheat seeded, the acreage report shall nevertheless be submitted promptly after the seeding of wheat is generally completed in the county.



INSURANCE UNITS

While one policy covers all of the insured's operations in the county, whether he has one farm or several farms, losses are settled by "insurance units." In determining the acreage which constitutes an insurance unit it is necessary to consider producers in three groups--owner-operator, landlord, or share tenant.

Insurance units are established in the following manner based on the insured's interest at the time of planting: (Land rented for cash or for a fixed commodity payment is considered as owned by the lessee.)

(1) For an owner-operator, all insurable acreage in which he has 100 percent interest in the crop is one insurance unit. (An applicant could have only one unit of this type.)

(2) For a landlord, all insurable acreage owned by him and rented to one tenant for a share in the crop is one insurance unit. (A landlord would have as many units of this type as he has share tenants.)

(3) For a share tenant, all insurable acreage owned by one person and rented by the tenant for a share in the crop is one insurance unit. (A share tenant would have as many units of this type as he has landlords.)

From the producer's intended farming operations you can determine how many insurance units he would have. Unless a policyholder understands what acreage forms an insurance unit, he may become dissatisfied with his protection when he has a loss or thinks that he has a loss. The key to determining insurance units is who shares in the crop and not the percentage of the share.

AMOUNT OF COVERAGE

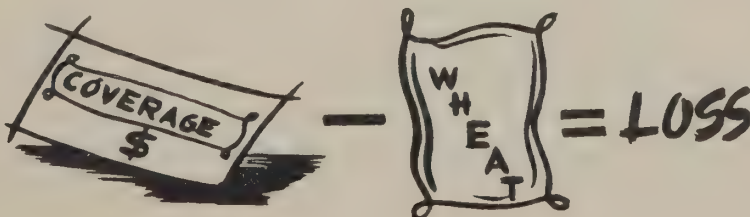
Protection is provided by insurance units since losses are settled that way.

The protection is established in three progressive stages. The first stage applies to acreage released and planted to a substitute crop, the second to acreage not harvested and not planted to a substitute crop, and the third to acreage harvested. The coverage that applies is determined by the stage of production reached by the acreage.

The policyholder's maximum protection for an insurance unit will be the coverage per acre for the harvested stage multiplied by the number of acres seeded and by his interest in the crop. It is important that the policyholder understand that his coverage is less when acreage is released and planted to a substitute crop or is not harvested. The second stage of coverage applies to acreage released and summer fallowed. Before damaged acreage is put to another use, it must be released by the Corporation.

While some agents prefer to work out the coverage for each prospect by individual computations, the majority will find it more satisfactory to work out for their county a table from which the coverage by stages for any acreage can be quickly read or computed. The district supervisor or state director should check the accuracy of such tables. For counties that have more than one coverage area or coverages for special farming practices a table should be made for each area or farming practice. Such tables will not only save time and reduce errors in computing coverage but also will enable the agent to maintain emphasis in his sales effort on the value of the protection offered.

The agent must concentrate on selling the protection he has to offer. Average yields or last year's big crop are not involved in what the agent has to sell. A Federal Crop Insurance Policy will protect a stated amount of his investment against loss from causes beyond his control. Sell him protection of his investment. Don't get off the main highway--it's protection of the investment. This is a good, sound road and progressive farmers will travel it if they understand what it is and think of it in terms of protection against what could happen to their crop investments.



PREMIUMS

The cost of the protection--the premium--will be obtained by multiplying the insured acreage by the premium rate and the result by his interest in the crop. The premium rate is determined from the actuarial table and the insurance area in which the acreage is located. The policyholder is billed for the premium based on the acreage report which he files. The minimum premium for any contract earning a premium will be \$10.00.

The premium computed from the rates shown on the actuarial table is a discounted premium which will increase by 10 percent unless it is paid by the discount date. While the premium be-

comes due when the crop is planted, a reasonable period is allowed for paying the discounted premium in order that those who depend upon the proceeds from the insured crop to pay their premiums also have the opportunity to benefit from the lower rate.

It is to the agent's best interest to collect his premiums early. If possible he should get an increasing number of policyholders to pay when they file their acreage report. If the collection is not made at that time, a definite commitment as to when the premium will be paid should be obtained and recorded. Most policyholders will meet these commitments on schedule if the agent reminds them of their commitments and makes an effort to collect at the proper time. Premiums are the foundation of the insurance business. They are the reason why protection can be provided. It is a means by which many join together for their mutual protection against severe losses. Premium collections are basic to the success of any insurance agent and, of course, any insurance plan.

Since a crop insurance premium is a part of farm operating costs, it is deductible as an operating expense on income tax returns. Consequently, the agent can show the prospect that the net cost of the protection to him is reduced by the percentage of his income tax bracket.

On large insurance units there is a significant reduction in premium. The total acreage in the insurance unit, and not the policyholder's share, is used to determine this reduction from the table on page 17.

A policyholder who builds a record of good experience earns a premium reduction. Those who have seven or more consecutively insured wheat crops without a loss get a 25% reduction in premium. When the policyholder accumulates a balance of premiums over indemnities on consecutively insured crops in preceding years that exceeds his harvested coverage for the

year, his premium is reduced 50%. Thus, policyholders who have the good fortune of not collecting a crop insurance indemnity profit by getting their crop insurance protection at a lower premium cost. If crop failure strikes they collect an indemnity. If it doesn't, the cost of their protection is reduced. Through these discounts for good individual experience differences in risk that cannot be measured in setting up the actuarial tables can be reflected through actual insurance experience.

Agents and policyholders both need to understand that from an insurance standpoint the fact that a policyholder has never had an insured loss is no guarantee that he won't have one this very year, or in the immediate future. This is easy to understand, but unfortunately it is also easy to overlook. The man with auto insurance and an accident-free record may have a smash-up the next time he gets into his car. The man with little or no life insurance may have just been examined by the doctor and pronounced in perfect condition, but may die while

returning from the doctor to his home or office. The same applies in crop insurance. That's why an agent must appreciate and make clear to his prospects that much of the difference in insurance risk that individuals think exists actually doesn't.

In order to be able to quickly determine premiums in selling, most agents will develop a premium table from which they can be read or quickly computed. Careful attention must be given to the accuracy of such tables and they should be checked by the district supervisor. Where there are different premium rate areas, or special farming practices in a county, tables will be needed for each different premium rate.



LOSSES

Whenever the total production for an insurance unit is less than the insured coverage an indemnity check will be issued to the policyholder promptly after the loss claim is approved. Production which will be subtracted from the coverage to determine the amount of loss will include:

(1) Appraised production in excess of the coverage on acreage released in the first stage.

(2) Appraised production on acreage released in the second stage which is in excess of the difference between the coverages in the second and third stages.

(3) Harvested wheat.

(4) Appraised production of wheat lost from causes not insured against.



In making quality adjustments the bushels of production counted will be determined by multiplying the number of bushels of poor wheat by its value and dividing the result by the lower of the fixed price or the CCC county loan rate for No. 5 wheat on the basis of test weight.

In connection with the determination of any loss under his contract, the insured should understand that any material damage to the insured crop from which a loss is probable should be reported immediately after the damage occurs; damaged wheat acreage must not be put to another use until it is released in writing by an adjuster; any loss must be reported immediately after harvest is completed; loss reports and requests for release of acreage should be made to the crop insurance agent in writing.

Hail Insurance--The amount of a Federal Crop Insurance indemnity will not be reduced because the farmer also carries hail insurance. Hail insurance and Federal Crop Insurance are not competitive. Hail insurance covers only the one risk while Federal Crop Insurance covers essentially all unavoidable risks.

APPLICATIONS AND POLICIES

An application filed by an individual, when accepted, will cover all of his insurable wheat acreage in the county.

Each person having an interest in a wheat crop must file an application if his share is to be protected.

If a person has an individual interest in a crop and is also acting as agent, administrator, executor, guardian, etc., with respect to an interest in a crop, or if he has an interest in a partnership operation, he must sign separate applications in each such capacity to obtain insurance on the particular interest involved.

The agent shall give the applicant his wheat insurance policy at the time he signs the application for insurance and advise him that when his application is accepted by the Corporation a copy of the application will be mailed to him and the contract will become effective.

The contract continues in force for each crop year until cancelled by the insured or by the Corporation. For all counties with a December 31 cancellation date the contract will automatically terminate if any amount of premium remains unpaid on the following March 31. For all other counties the contract will terminate on the cancellation date if any amount of premium (except for the current crop year's premium) remains unpaid on such date. If changes are made in the contract, the insured will be advised in advance of the cancellation date.

Transfer of Interest--If the insured acreage is transferred to another person the transferee may have protection under the insured's contract if he executes a transfer of interest form at the agent's office within 15 days after the transfer occurs and makes satisfactory arrangements for payment of the premium due on the part of the crop transferred. The original insured continues to be liable for any premium due on the acreage and interest transferred if it is not paid by the transferee.



FILLING OUT APPLICATION

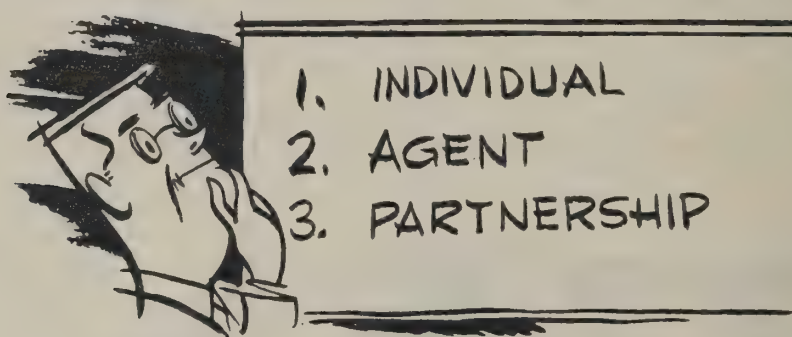
Form FCI-412, Application for Crop Insurance on _____, shall be used to obtain insurance on wheat for 1955 and future years.

The applicant's name should be printed in the space provided at the top of the form exactly as it is to be signed. The complete mail address of the applicant shall also be entered. Follow the very good practice of filling out the form before you urge the producer to sign, and ask how he signs his business papers. It is important that the name and address be clear and that it be properly imprinted on carbon copies so that the insured's copy can be mailed him by use of a window envelope.

The following entries are to be made in the space provided in the heading of the application before it is signed by the applicant: (1) name of the insured crop; (2) first crop year of the contract.

Enter the date of the applicant's signature in the space provided. The person taking the application should sign as witness to the applicant's signature. If the applicant's signature is by mark, the signature of a second witness must be obtained if necessary to comply with state laws.

Enter in the box at the bottom of the application information as to the location of the farm(s) of the applicant or his headquarters and his telephone number if he has one. This information is for future use in servicing the contract and should be such that it will assist an adjuster in locating the farm(s) or the place where the applicant can be contacted. This does not mean that the insurance is limited to these farms.



SIGNATURES

Applications should be signed with indelible pencil or ink and must be handwritten, not printed.

When a person signs in a representative capacity he must write (1) the name of the principal for whom he is acting, (2) his own signature, and (3) the capacity in which he signs.

In no case should you permit a person to sign another person's name on the application unless you are certain they are authorized to act for the other person. In such a case he must sign in the manner indicated above.

Following are some examples of signatures correctly affixed:

(1) As an individual:

- a. John T. Smith
- b. J. Thomas Smith
- c. Mary L. Smith

(2) As agent:

- a. John T. Smith, by Henry O. Brown, Agent
- b. Smith and Jones, a partnership by George E. Miles, Agent

(3) As member of partnership:

a. Smith and Jones, by John T. Smith, a partner

The above types of signatures cover most cases. If you should obtain an application with a signature that you are doubtful about, call this to the attention of the district supervisor. Should you need additional information regarding the correct manner of affixing a signature you may obtain it from the district supervisor.

Form 2, "Agreement," may be used to correct or complete an incorrect or incomplete signature on the application but in no case shall it be used to obtain the signature for the application.

An application received through the mail after the closing date may be accepted if the envelope is postmarked on or before the closing date.

When the closing date falls on Sunday or other official non-business day the next succeeding business day becomes the closing date for that crop year.

APPLICATIONS FILED AFTER THE CLOSING DATE

Applications filed after the closing date for a crop year shown on the application shall be transmitted to the state director without the agent's recommendation for acceptance.

When applications are obtained for a crop year prior to the time that coverages, rates, and policy changes for that crop year are on file in the county office a Form FCI-2, "Agreement," signed by the applicant containing the following wording must accompany the application:

"Notwithstanding any other provision of the contract to the contrary both the applicant and the Corporation will have the same rights with respect to cancellation before the 195__ crop year that they would have had if this contract had been in force and effect for the 195__ crop year, and the Corporation agrees to mail to the insured at least 15 days prior to the cancellation date notice of any changes which are made in the contract for the 195__ crop year."

Death of the Insured or Applicant

When an insured or an applicant for insurance dies, his successor-in-interest will have, or may obtain, insurance on the wheat growing at the time of his death or wheat to be planted under the following conditions:

If the death occurs after planting, the insurance contract will continue in force to the end of that crop year at which time it will automatically terminate. The successor-in-interest must

file an application by the closing date for the following crop year or within 60 days after planting the crop for such crop year providing an inspection of the crop by an adjuster shows that it has not been damaged. An application filed by a successor-in-interest after the closing date must be accompanied by a complete statement of facts.

MINIMUM PARTICIPATION REQUIREMENT

Applications filed plus carryover contracts must cover 200 insurance units or insurance units equaling one-third of the eligible farms producing the insured crop in the county. If this requirement is not met by the closing date new applications will be rejected and carryover contracts will terminate automatically at the closing date.



SALES REPORT

You are required to make regular reports of contacts and sales to the office of the state director on the form to be provided for that purpose.

Information needed for your sales report includes (1) name of each person contacted, (2) date contacted, (3) if application is signed, the number of insurance units covered, and (4) if application is not signed, brief reasons why and whether you will re-contact him.

RECOMMENDATION FOR ACCEPTANCE

Applications to be recommended for acceptance by the agent should be signed by the agent in item "F," (Corporation Representative).

If the agent does not recommend acceptance of the application item "F" should not be executed. In such cases a statement of facts on Form 6 shall be attached to the application.

Before transmitting applications a thorough check should be made to be sure that all entries have been completed in accordance with the instructions contained in this handbook.

In no case should the application be released to the applicant after it is filed with the agent. If, however, the applicant wishes to withdraw his offer prior to acceptance of the application by the state director a request in writing signed by the applicant should be sent to the director immediately. The request should be attached to the application if it has not been transmitted. The state director will instruct the agent regarding the numbering of applications.

Transmittal of Applications

All copies of all applications shall be forwarded to the state director who will make distribution.

Applications shall be listed on a transmittal (Form FCI-15-Rev.). Insert the name of the crop in the space provided. Where more than one crop is insured use separate transmittals for applications under each different program.

Transmittal numbers shall be assigned beginning with number one (1) each crop year.

The county office copy of the transmittal form should be retained by the agent and the remaining copies forwarded with the applications.

PREMIUM REDUCTION TABLE FOR SIZE OF ACREAGE

The following table shows the amount of reduction in annual premiums where the insured acreage on an insurance unit is 200 acres or more:

ACREAGE	PERCENT REDUCTION
0 - 199.9	0
200 - 299.9	4
300 - 399.9	6
400 - 499.9	8
500 - 599.9	10
600 - 699.9	12
700 - 799.9	14
800 - 899.9	16
900 - 999.9	18
1,000 - over	20

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April 1954